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## FISCAL IMPACT REPORT

**SPONSOR** Miera **ORIGINAL DATE** 1/21/08  
**LAST UPDATED** 1/22/08 **HB** 28

**SHORT TITLE** Sporting Event Referee Gross Receipts **SB** \_\_\_\_\_

**ANALYST** Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
(17.6)	(150.1)	(159.9)	Recurring	General Fund
(12.2)	(104.3)	(111.1)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
New Mexico Activities Association  
City of Albuquerque

Responses Received From  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Bill 28 creates a new gross receipts tax exemption for receipts of refereeing, umpiring, scoring or other athletic officiating at any sporting event in New Mexico sponsored by the New Mexico Activities Association or a municipality, county or non-profit organization.

The bill contains no effective date so is assumed to become effective 90 days after the legislature adjourns on May 14, 2008 (see Technical Issues).

### FISCAL IMPLICATIONS

NMAA reports that their organization only sponsors athletic events at high schools and junior highs, not colleges or elementary schools. Based on information provided by NMAA, LFC estimates that receipts of events sponsored by NMAA will be \$3,077.1 thousand in FY09. It is expected that another \$609 thousand per year in receipts from events sponsored by municipalities, counties and nonprofit organizations will be eligible for the deduction. Taxed at

the statewide average tax rate of 6.9 percent, the new gross receipts tax deduction will decrease revenue collections by about \$254.4 thousand in FY09. About 59 percent of this reduction will impact the general fund, and the remaining 41 percent will impact local governments. The amount of the deduction is expected to grow by 5 percent per year.

Because the bill's provisions will become effective on May 14, 2008, the bill's fiscal impact will result in a 1.5 month revenue impact in FY08 (see Technical Issues).

### **SIGNIFICANT ISSUES**

By restricting the proposed exemption to events sponsored by the New Mexico Activities Association, the bill excludes receipts from professional sporting events. Also excluded are events at elementary schools and colleges. However, by including events sponsored by a city, county or non-profit, the exemption will include city athletic league activities, county fairs, and non-profit events such as marathons.

Fees earned by sports officials on varsity, junior varsity, and junior high sporting events are set annually by the New Mexico Activities Association and vary for different events. Sports officials receive mileage reimbursement and are paid per diem if they spend the night away from home.

College sporting event officiating fees are set by the Western Area Conference, the National Collegiate Athletic Association, or the University or College at which the game is played. Fees vary for different levels of college play.

LFC notes that while individual deductions from the gross receipts tax may have small fiscal impacts, their cumulative effect significantly narrows the gross receipts tax base. Narrowing the gross receipts tax base increases revenue volatility and requires a higher tax rate to generate the same amount of revenue.

The bill will reduce local government gross receipts tax collections. Many of New Mexico's local governments are highly dependent on gross receipts tax revenue.

### **ADMINISTRATIVE IMPLICATIONS**

LFC recommends adding an effective date to the bill to make the bill's provisions first apply to revenue earned on a modified accrual basis on or after July 1, 2008. This language would reduce the administrative impact on TRD (see Technical Issues).

The bill will cause moderate administrative impacts for TRD. TRD will revise CRS forms, instructions and publications. TRD will also need to coordinate with the Public Education Department, the Western Area Conference and all other organizations that hold sporting events to identify which events qualify for the new deduction.

### **TECHNICAL ISSUES**

TRD reports that the provisions of the bill would be easier to administer if they became effective on January 1 or July 1 since that is when taxpayer information packets are revised each year. If the bill is amended to include an effective date, the language should reference the proper accounting principles to ensure that no unintended FY08 fiscal impact occurs.

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The bill does not define the terms “sporting events” and “athletic officiating.” It is unclear, for example, whether officials who work at events such as rodeo that take place at a county fair would qualify for the exemption.

LFC suggests replacing the word “nonprofit” on page 1, line 23 with “501(c) (3)” to reference the federal tax code.

SS/bb